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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 1/14/09

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3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, January 13, 2009

NIKKEI (Page 2) (Full)  
January 14, 2009

07:11

Met Deputy Chief Cabinet Secretary Matsumoto at the Kantei.

08:01

Attended a meeting of the taskforce to deal with new strains of influenza. Attended a cabinet meeting. Later, Met Chief Cabinet Secretary Kawamura.

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98:37

Attended a Lower House Budget Committee meeting.

13:16

Met New Komeito President Ota.

14:02

Attended a meeting of the Lower House's Fiscal and Monetary Committee.

17:01

Met U.S. Ambassador Schieffer at the Kantei.

18:07

Attended a Lower House plenary session.

19:26

Met Kawamura at the Kantei.

20:15

Dined with his secretaries at a Japanese restaurant in the Hotel Okura.

23:25

Returned to his private residence in Kamiyama-cho.

4) Secretary of State-designate Clinton in confirmation hearing calls Japan-U.S. alliance the cornerstone of U.S. policy toward Asia

YOMIURI (Page 2) (Full)  
January 14, 2009

Keiichi Honma, Washington

Senator Hillary Clinton, who has been selected to be secretary of State by President-elect Barack Obama, stated on Jan. 13 that the incoming administration would bid farewell to the Bush administration's unilateralism. She made the following remarks in a statement before the Senate Foreign Relations Committee during her confirmation hearing on Jan. 13:

"The U.S. cannot resolve imminent issues independently, and the world cannot resolve these issues without the U.S., either. ... Foreign policy should not be based on rigid ideology but must be based on the principle of blending ideals and reality."

Clinton also said: "The Japan-U.S. alliance is indispensable to maintaining peace and prosperity in the Asia-Pacific region. It is the cornerstone of U.S. policy toward Asia." Regarding relations with China, Clinton defined them as important, but she took a cautious view about deepening relations with that nation, remarking: "It depends on what choices China will make in its domestic and

foreign policies."

In referring to the Iraq war, Clinton articulated: "I am determined to end the war in a responsible manner." She added that the U.S. instead intends to shift emphasis to Afghanistan.

5) Yachi to become gov't delegate for stronger ties with next U.S. administration

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SANKEI (Page 2) (Abridged)  
January 14, 2009

Former Administrative Vice Foreign Minister Shotaro Yachi, 65, will become a government delegate to represent the Japanese government and consult with foreign countries, sources said yesterday. Prime Minister Taro Aso wants to establish a strong relationship with U.S. President-elect Obama and his administration by appointing Yachi, who has wide-ranging channels with the United States, China, and South Korea. His appointment will be referred to a cabinet meeting on Jan. 20 for approval.

Yachi retired in January last year. He was in the post of administrative vice foreign minister when Aso was foreign minister in the Abe cabinet. Yachi was most trusted by Aso at the Foreign Ministry, according to a government source. When Aso was foreign minister, he announced his initiative to build an "arc of freedom and prosperity" to back up free nations ranging from Northern Europe to Asia and Oceania. Yachi is one of those who proposed the initiative.

After his retirement, Yachi taught at Waseda University and Tokyo University. Aso asked Yachi to become government delegate, but Yachi was reluctant at first, according to another government source. However, Yachi accepted the post at Aso's repeated requests. The government delegate used to have an office in the Foreign Ministry. Yachi, however, will be based at the prime minister's office.

6) Government considering dispatch of P-3C patrol aircraft for anti-piracy mission over waters off Somalia, with surveillance information transmitted to concerned countries

SANKEI (Top play) (Abridged)  
January 14, 2009

It was learned on Jan. 13 that the government is considering the dispatch of the Maritime Self-Defense Force's (MSDF) P-3C (Orion) maritime patrol aircraft on an anti-piracy mission to waters off Somalia in Africa. The aircraft are expected to be sent to Djibouti, where the EU unit deployed for anti-piracy operations off Somalia is centered, and from there carry out air surveillance of the moves of pirate ships. Since there are restrictions on escort ships deployed for maritime police action, such as not being able to protect foreign ships, the aim of dispatching patrol planes is to play an international cooperative role by providing surveillance information gathered by the P-3C aircraft to concerned countries.

The government also yesterday expressed its view at a meeting of the ruling camp's project team for anti-piracy measures that foreign ships carrying Japanese cargo would be subject to protection by MSDF escort vessels under the order for maritime police action. Since only 60 PERCENT of Japanese cargo transported through waters off Somalia is carried aboard ships registered as Japanese flag carriers, the remaining 40 PERCENT being aboard foreign ships, the government's stance is to expand protection to cover these ships under the anti-piracy measure, as well.

It will be necessary to sign a status of forces agreement (SOFA) with the country (Djibouti) in order for the dispatched P-3C aircraft to use a ground base. For this reason, there is a view that an early dispatch may be difficult.

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However, as of yesterday, France and other members of the EU unit had informed persons connected to the Japanese government their outlook that a SOFA could be signed quickly if Japan were added to the one that the EU unit has already signed with Djibouti. It should be possible to plan for an early dispatch once such preparations as training the P-3C crew are done.

The government plans to dispatch an escort ship to waters off Somalia as early as March under a maritime police action order. However, since Japan could not protect unrelated foreign ships under that order, there is deep-seated reluctance to go, with a senior official in the Defense Ministry saying, "It is not linked to international cooperation." The dispatched P-3C patrol aircraft would have the duty of providing information to the Japanese escort ship about where pirate ships are deployed. But it would not be a violation of the law to provide the obtained information to ships of other countries carrying out anti-piracy operations.

7) Japan cargoes also under MSDF's protection in security operations against pirates

TOKYO SHIMBUN (Page 1) (Abridged)  
January 14, 2009

The government yesterday firmed up a basic course of action to be followed when issuing orders to the Maritime Self-Defense Force for maritime security operations against pirates off the eastern African coast of Somalia and sending MSDF destroyers. The MSDF is to protect ships sailing under the flag of Japan. In addition, the MSDF will also protect foreign ships, including those carrying Japanese nationals or Japanese cargoes and those chartered by Japanese shipping companies. The MSDF will have Japan Coast Guard (JCG) sheriffs onboard its destroyers to detain and interrogate pirates.

The government came up with the basic course of action in a meeting of the ruling coalition's antipiracy project team yesterday and obtained approval.

8) Ruling coalition approves maritime security operations against pirates

ASAHI (Page 4) (Abridged)  
January 14, 2009

The ruling coalition of the Liberal Democratic Party and the New Komeito held a meeting of its project team yesterday to discuss measures to take against pirates in waters off the coast of Somalia. In the meeting, the project team approved the government's proposal of maritime security operations to be conducted by the Maritime Self-Defense Force, which is to be tasked with such activities as protecting commercial ships and is to be allowed to use weapons in accordance with government-set guidelines. The LDP and the New Komeito, based on the next stage of discussions, will start internal party procedures. The focus will be on Prime Minister Aso's final decision.

The Self-Defense Forces Law stipulates that the purpose of maritime security operations is to protect (Japanese) lives or assets. The government has therefore indicated that the MSDF is to protect Japanese ships, Japanese-chartered ships, and Japanese nationals boarding foreign ships. Aso also made a similar statement in his Diet reply in October last year.

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In the project team meeting, however, the government came up with an expanded interpretation of the law's stipulation to cover foreign ships carrying Japanese cargoes. Japanese shipping companies charter foreign freighters, which are said to carry about 40 PERCENT of all cargoes to and from Japan. In view of this fact, the government judged that these cargoes are also Japanese assets.

In connection with the weapons use guidelines or the so-called rules of engagement (ROE), the government cited two actual cases that took place off the Somalia coast in November last year. One of the two

cases is a shootout incident in which a British naval vessel exchanged fire with a pirate ship and killed two of the ship's crewmen believed to be pirates. The other case is that an Indian naval vessel sank a Thai trawler that was hijacked by pirates and would not halt. The government sees both cases as legitimate self-defense or emergency evacuation, indicating that the MSDF is also allowed to use weapons in similar situations.

Government-proposed guidelines for maritime security operations

**Geographic scope:** The government may order the MSDF to conduct maritime security operations not only in Japan's territorial waters but also in waters off Somalia.

**Protection:** The MSDF may protect Japanese ships, flag-of-convenience ships (including Japanese-owned ships), Japanese nationals boarding foreign ships, foreign freighters carrying Japanese cargoes.

**Weapons use:** The MSDF may use weapons for legitimate self-defense or emergency evacuation as the British and Indian navies fought back against pirates.

**Pirates detained:** Japan Coast Guard (JCG) officials onboard MSDF vessels are to deal with pirates detained.

**Mutual cooperation with other countries:** This action is not allowable because maritime security operations are intended to protect Japanese nationals and assets.

9) Second extra budget clears Lower House: Kenta Matsunami absents himself, defying LDP

MAINICHI (Top Play) (Full)  
January 14, 2009

The second fiscal 2008 supplementary budget that incorporates a 2 trillion yen flat-sum cash handout scheme and related bills on the evening of January 13 passed the Lower House's plenary session with the backing of the Liberal Democratic Party and the New Komeito. The bills then were sent to the Upper House. Members of the Democratic Party of Japan (DPJ) and the Social Democratic Party walked out of the session when the bills were brought to a vote. Former State Minister in charge of Administrative Reform Yoshimi Watanabe (56), a fourth-term lawmaker from the Tochigi Prefecture No. 3 constituency, who has just quit the LDP, abstained from the voting. Kenta Matsunami (37) of the LDP, Cabinet Office parliamentary, a second-term lawmaker elected from the Osaka No. 10 Constituency, also walked out when voting occurred. The DPJ is determined not to attend deliberations in the Upper House for the time being. The Diet session from the 14th will likely become even more stormy.

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DPJ to boycott Upper House deliberations

Matsunami after the plenary session visited Chief Cabinet Secretary Takeo Kawamura at the Kantei and submitted a letter of resignation from his position, which was accepted.

Following the adoption of the second supplementary budget at the Lower House Budget Committee, the ruling camp on the afternoon of the 13th successively approved related bills at the Financial Affairs Committee, the Internal Affairs Committee and the Land, Infrastructure and Transport Committee and submitted them to the Lower House plenary session. The DPJ, the SDF and the People's New Party (PNP) did not take part in the vote. The Japanese Communist Party voted against the government-sponsored bills at all those committees.

Concerning the second extra budget, the focus of attention will shift to how long the DPJ will delay deliberations. If the DPJ goes too long, the bill will automatically be enacted at 0:00 a.m. on February 12, making it possible to take a revote on related bills after March 14.

The government and the ruling camp will submit the fiscal 2009

budget bill and related bills to the Lower House in the hope of simultaneously holding deliberations on the second extra budget bill. However, the LDP leadership needs to strengthen its guard against a possible spread of rebellion. Diet steering will likely continue to be harsh.

The ruling parties at Upper House Budget Committee directors' meeting on the afternoon of the 13th called for starting deliberations on the 14th. However, the meeting ended in failure. Chances are that the Upper House Budget Committee will become stalled for some time to come due to the DPJ's boycott of deliberations.

Goshi Hosono of the DPJ, making a speech opposing the flat-sum cash benefit scheme before a roll call at the plenary session, said, "Such a program is ultimate populism." Genichiro Sata of the LDP, making a speech supporting the scheme, stressed, "Such a scheme is in force in the U.S. It is certainly an effective economic stimulus measure."

10) LDP's Matsunami resigns as Cabinet Office parliamentary secretary

NIKKEI (Full)  
January 14, 2009

Parliamentary Secretary of the Cabinet Office Kenta Matsunami, who had walked out of the full session of the House of Representatives before a vote on the second supplementary budget for fiscal 2008, handed his resignation to Chief Cabinet Secretary Takeo Kawamura and it was accepted. Matsunami told the press corps:

"The 2 trillion yen cash-handout program should be revised through discussion between the ruling and opposition parties. It is important to quickly come up with a revised plan that would please the public."

He denied any cooperation with Yoshimi Watanabe. He also said that he had no intention to quit the ruling Liberal Democratic Party.

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Immediately after abstaining from voting, Matsunami told reporters: "Although I am in the post of parliamentary secretary of the Cabinet Office, argument on the issue did not come down to our level." He indicated in his remarks that he had continued to have a doubt about the cash-payment program. He did not confer beforehand with Kawamura and Bunmei Ibuki, who heads a faction to which Matsunami belongs to.

After his meeting with Matsunami, Kawamura told the press corps: "It is extremely regrettable. We were negligent and were unaware of what he was thinking." He then met with LDP Secretary General Hiroyuki Hosoda to ask him for amicable treatment for Matsunami.

11) Matsunami's abstention from voting surprises senior LDP members

YOMIURI (Page 4) (Full)  
January 14, 2009

Besides Yoshimi Watanabe, a former administrative reform minister who has just resigned from the ruling Liberal Democratic Party (LDP), Cabinet Office Parliamentary Secretary Kenta Matsunami, an LDP lawmaker, abstained from the vote on the second supplementary budget for fiscal 2008 and related bills at a plenary session of the House of Representatives. Senior LDP officials did not expect Matsunami to take this action, which revealed that underlying discontent exists in the LDP.

After the full session was over, Matsunami explained the reason for his abstention from voting. He told reporters: "The 2 trillion yen cash-benefit program should have been discussed between the ruling and opposition parties and the 2 trillion yen should be used in a way that would please the public." Asked whether he intended to leave the LDP, he responded: "I will never quit the party." He then revealed that he would vote for the state budget for fiscal 2009.

When asked by reporters at the Prime Minister's Office about the relations between his abstention and Watanabe's move, Matsunami said: "I'm offended that you think I had sided with him."

LDP Secretary General Hiroyuki Hosoda made this comment on Matsunami's abstention from voting: "It is regrettable because I thought that no party member would stay away from voting. The Party Ethics Committee will consider what punishment should be given to him." The reason for Hosoda's quick reference to the treatment of Matsunami is because discontent with the second extra budget is smoldering in the party. Koichi Kato, former LDP secretary general, stated:

"There are many LDP members who voted for the second extra budget in consideration of election cooperation between the LDP and New Komeito, even though they are unhappy with the cash-payment program. The party leadership should have considered measures to revise the budget."

Former Chief Cabinet Secretary Yasuhisa Shiozaki told reporters about Watanabe's resignation: "It is very regrettable. I think we both love our country. So I would like continue to cooperate with him as friends."

Taku Yamasaki, former LDP vice president, expressed concern about the party's situation, saying:

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"Despite Watanabe having voted for a resolution calling for dissolving the Lower House, it was generous for the party to accept his letter of resignation. I hope this should not become a bad practice."

12) Watanabe to form "people's council"

NIKKEI (Full)  
January 14, 2009

Former Administrative Reform Minister Yoshimi Watanabe, who has quit the ruling Liberal Democratic Party (LDP), held yesterday a press conference in the Diet building. In it, he stated: "The major reason for my resignation from the LDP was that under Aso, politics was carried out that was rejected by the people. I want to form a people's council (kokumin kaigi) with persons of high purpose from all over the country." He revealed his intention to launch a preparatory meeting as early as before the end of the month.

In the meeting, he intends to unveil the general outline of the planned council this week. He is expected to call on people on a broad range of areas, including governors, mayors, local assembly members, and corporate managers, to join him. He said: "I have no intention to ask Diet members to join." He revealed yesterday that Osaka Gov. Toru Hashimoto had turned down his request. As such, it remains to be seen how many will join his plan.

13) Yoshimi Watanabe quits LDP to aim at forming new party that will attract followers, but no sympathizers at present

YOMIURI (Page 4) (Excerpts)  
January 14, 2009

Former State Minister for Administrative Reform Yoshimi Watanabe, who has left the Liberal Democratic Party (LDP), will shortly form a policy group with the aim of laying the groundwork for the next Lower House election. He expects that there will appear sympathizers, following a political gridlock permeating the LDP due to the sluggish public support ratings for the Aso cabinet. However, whether such a move will actually grow is unclear.

Watanabe during a press conference on January 13 underscored his plan to stage a national movement along with non-affiliated lawmakers and leaders of municipalities, advocating the slogans "from under the leadership of bureaucrats to under political leadership" and "from centralization to local sovereignty." During a

TBS television program, he said, "Setting up a new party after a national movement is one option." He hinted that in the event many more LDP members leave the party, he wanted to make create a situation that would lead to a new party.

"The LDP is now like the Titanic. I will become the rescue boat going around the sinking ship (to save the passengers)." Likening the LDP to Britain's luxury liner that sank in 1912, Watanabe revealed the true reason why he had decided to leave the party to an LDP lawmaker close to him. As a matter of fact, one Upper House member took the view that because of his high-name recognition, Watanabe may lure junior lawmakers who are expected to have a difficult battle in the next Lower House election. Many LDP members support Watanabe's call for reforming the public-servant system, including the abolition of a system under which the prime minister

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approves job referral services each government agency provides to retired officials. He adheres to this stand presumably motivated by the desire to attract followers.

There also remains an observation that Watanabe would join hands with the DPJ on such policy targets as reforming the public-servant system. DPJ President Ozawa tried to lure Watanabe, telling reporters on the 13th in the Diet building: "It appears that Mr. Watanabe is harboring resentment in the same way we are. I think we can share a political stance."

14) Underlying magma anti-Aso sentiment may erupt with the approach of next Lower House election

NIKKEI (Page 2) (Abridged slightly)  
January 14, 2009

In the vote yesterday in the Lower House plenary session on a second supplementary budget, two Liberal Democratic Party members defied the party line. The two are former Administrative Reform Minister Yoshimi Watanabe and Parliamentary Secretary for Economic and Fiscal Policy at the Cabinet Office Kenta Matsunami. Matsunami's unexpected refusal to join the voting disclosed growing discontent with the party leadership. Strong discontent might erupt with the approach of the next Lower House election. Prime Minister Taro Aso is likely to be forced to continue walking a tightrope.

An LDP lawmaker from the Kansai area, from which Matsunami also comes, commented: "A rebellious act in a vote on the cash-handout plan would impress Osaka." Matsunami has been playing a role assisting Economic and Fiscal Policy Minister Kaoru Yosano. His rebellious act has dealt a blow to the prime minister. LDP Secretary General Hiroyuki Hosokawa commented about the defiant acts by the two: "I had not expected anyone would rebel against the party's decision. It is regrettable that one person did not fall in line."

Meanwhile, a junior LDP member close to Watanabe, noted yesterday about Watanabe's resignation from the party: "Although his feelings are understandable, I feel angry at his act."

Watanabe was able to leave the party because he is not worried about his re-election. Given no prospects for collaboration with the main opposition Democratic Party of Japan and for launching a new party, for many LDP lawmakers, defying the party line could mean the loss of official party endorsement and the absence of cooperation from the New Komeito. The prevalent view at this point is that Watanabe's departure from the party would not directly result in a movement to topple the Aso cabinet or to push political realignment.

There are fault lines, however. Mid-level and junior members are frustrated with the fact that the Aso cabinet's support ratings are plummeting and that DPJ President Ichiro Ozawa is now regarded more suitable to become the next prime minister than Aso.

Former Secretary General Tsutomu Takebe, who heads a group called New Breeze which mainly consists of first-term Lower House members, urged Watanabe yesterday to keep attending the group's meetings, even after leaving the party. Takebe said: "Our relationship with Mr. Watanabe will not change. We must understand what he thinks."

Also yesterday, junior to mid-level LDP lawmakers launched a safety-net study group. Inviting representatives of non-profit

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groups that support the needy, 17 members, including bureaucrats-turned lawmakers, discussed measures against the termination of temporary contracts. The group's prospectus indicated that it has obtained Secretary General Hosoda's informal consent.

Meanwhile, Hidenao Nakagawa and Koichi Kato, who have been keeping themselves at arm's length from the prime minister, are looking separately for banners for political realignment that could occur before or after the next Lower House election. Some mid-level LDP members are pressing the prime minister for a policy shift by pointing to their possible rebellion as their trump card. There are landmines in the party that could upset Prime Minister Aso's foothold.

15) Corporate bankruptcies total 12,681 last year, with 11.9113 trillion yen in total debt

YOMIURI (Page 2) (Full)  
January 14, 2009

Corporate bankruptcies in Japan totaled 12,681 cases in 2008 with debt of more than 10 million yen each, up 15.7 PERCENT over the previous year and the largest since 2001, according to the private credit research company Teikoku Databank yesterday. Listed companies' bankruptcies totaled 34 (including one case after delisting), marking the largest number of such cases in the postwar period. The total debt of the bankrupt companies also increased about 2.2 times more than that in the previous year to 11.9113 trillion yen. Even compared with those in 2000 and before, the total debt is the 7th largest in the postwar period.

The increase in bankruptcies is attributed mainly to the deteriorating business environment because of rising prices of raw materials, economic recession after the financial crisis, and difficulty in capital procurement. Bankruptcies due to bad economic conditions totaled 9,992, up 18.3 PERCENT over the previous year and accounting for 78.8 PERCENT of the total. The bankruptcies in 2008 went up in all industries over the previous year. In the construction industry, 3,446 companies went bankrupt, up 17.3 PERCENT, and those in the retailing industry numbered 1,950, up 18.6 PERCENT. In the transport and telecommunications industries, as well, 500 companies, up 37 PERCENT, filed for bankruptcy.

The total debt of the Japan unit of failed Lehman Brothers, a leading U.S. securities company, was 3.4314 trillion yen, marking it the second largest single bankruptcy in the postwar period. As shown in this case, many of the failed companies were saddled with a huge debt.

SCHIEFFER